

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name SUPERIORLAND LIBRARY COOPERATIVE	County MARQUETTE
Fiscal Year End 9/30/2006	Opinion Date 1/9/2007	Date Audit Report Submitted to State 2-12-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

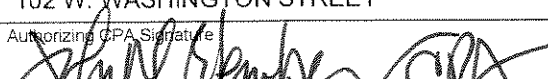
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO COMMENTS AND RECOMMENDATIONS LETTER WAS ISSUED	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & CO, PLC		Telephone Number 906-225-1166	
Street Address 102 W. WASHINGTON STREET		City MARQUETTE	State MI
		Zip 49855	
Authorizing CPA Signature 		Printed Name JOHN W. BLEMBERG	License Number 1101010180

**SUPERIORLAND LIBRARY COOPERATIVE**

**FINANCIAL STATEMENTS AS OF  
September 30, 2006**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

## INDEPENDENT AUDITOR'S REPORT

The Superiorland Library  
Cooperative Board  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2006, which collectively comprise the Superiorland Library Cooperative's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Superiorland Library Cooperative's management. Our responsibility is to express opinions on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Superiorland Library Cooperative as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2006, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Superiorland Library  
Cooperative Board  
Marquette, Michigan 49855

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Superiorland Library Cooperative's basic financial statements. The individual fund financial statements listed as Other Supplemental Financial Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

January 9, 2007

**Superiorland Library Cooperative  
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of the Superiorland Library Cooperative's financial performance provides an overview of the Cooperative's financial activities for the year ended September 30, 2006. Please read it in conjunction with the financial statements, which begin on page 9.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Cooperative as a whole were reported at \$378,577. Net assets are comprised of 100% governmental activities. In comparison to prior year, net assets have decreased by \$3,374.
- During the year, the Cooperative's total expenses were \$527,663, while revenues from all sources totaled \$524,289 resulting in a decrease in net assets of \$3,374.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 11) provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative finances.

#### **Reporting the Cooperative as a Whole**

One of the most important questions asked about the Cooperative's finances is "Is the Cooperative as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperative as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Cooperative's *net assets* and changes in them. You can think of the Cooperative's net assets - the difference between assets and liabilities - as one way to measure the Cooperative's financial health, or *financial position*. Over time, *increases or decreases* in the Cooperative's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Cooperative's operating base and the condition of the Cooperative's capital assets, to assess the *overall financial health* of the Cooperative.

In the Statement of Net Assets and the Statement of Activities, we report all of the Cooperative's activities as governmental activities. Federal and State grants along with contracted revenues finance most of these activities.

#### **Reporting the Cooperative's Most Significant Funds**

The Cooperative only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements beginning on page 9. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperative's program.

**Superiorland Library Cooperative**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliations which follows each of the Statement of Net Assets and Statement of Activities.

**Superiorland Library Cooperative as a Whole**

Table I provides a summary of the Cooperative's net assets as of September 30, 2006.

**Table 1**  
**Net Assets**

	2006	2005
Current and other assets	\$314,734	\$315,617
Capital assets, net	<u>112,366</u>	<u>126,798</u>
Total Assets	<u>427,100</u>	<u>442,415</u>
Current liabilities	20,551	34,486
Noncurrent liabilities	<u>27,972</u>	<u>25,978</u>
Total Liabilities	<u>48,523</u>	<u>60,464</u>
Net Assets:		
Invested in capital assets	112,366	126,798
Restricted	16,697	16,429
Unrestricted	<u>249,514</u>	<u>238,724</u>
Total Net Assets	<u>\$378,577</u>	<u>\$381,951</u>

Net assets of the Cooperative's governmental activities stood at \$378,577. Restricted net assets of \$16,697 relate to the Lilja Trust Fund restricted by the trust agreement. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$249,514.

The \$249,514 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperative as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net assets for fiscal year 2006 and 2005

**Table 2**  
**Changes in Net Assets**

	2006	2005
Program revenues:		
Charges for services	\$145,203	\$142,077
Operating grants and contributions	101,795	194,371
General revenues:		
Sources not restricted to specific program	266,434	262,048
Interest earnings	8,988	7,416
Miscellaneous	<u>1,869</u>	<u>1,316</u>
Total Revenues	<u>524,289</u>	<u>607,588</u>
Program Expenses:		
Library services	521,088	561,328
Capital outlay	<u>6,575</u>	<u>38,347</u>
Total Expenses	<u>527,663</u>	<u>599,675</u>
Change in net assets	(3,374)	7,913
Net assets, beginning	<u>381,951</u>	<u>374,039</u>
Net Assets, Ending	<u>\$378,577</u>	<u>\$381,951</u>

**Superiorland Library Cooperative**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

The Cooperative's total revenues were \$524,289. The total cost of all programs and services was \$527,663, leaving a decrease in net assets of \$3,374 as a result of fiscal year 2006 operations. This decrease is negative to the Cooperative because of an increase in the amount that depreciation exceeded capital outlays and an increase in accrued liability for personal time off.

**SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS**

As the Cooperative completed the year, its General Fund (the only governmental fund) reported a fund balance of \$294,183 with an increase of \$13,052 from the beginning of the year. This increase was mainly the result of less operating expenditures than anticipated, especially in the line items of conferences/workshops.

**General Fund Budgetary Highlights**

The Cooperative's Board adopted the fiscal year 2006 general fund budget in September 2005 and the budget was amended during the year. The final projected revenues were \$528,500 and projected expenditures were \$526,033 resulting in an anticipated decrease in fund balance of negative \$2,467. The actual change in fund balance for the year was a positive \$13,052 as a result of less operating expenditures than anticipated in fiscal year 2006.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2006, the Cooperative had \$112,366 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

**Table 3**  
**Capital Assets at Year-End**

	2006	2005
Land	\$41,500	\$ 41,500
Furniture & fixtures	106,228	103,497
Buildings & improvements	<u>78,000</u>	<u>78,000</u>
	225,728	222,997
Accumulated depreciation	<u>(113,362)</u>	<u>(96,199)</u>
Totals	<u>\$112,366</u>	<u>\$126,798</u>

**Debt**

The Cooperative has no outstanding debt at year-end.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for the year ended September 30, 2007 the Board anticipates a balanced budget with some additional revenue due to the fact that revenue from a State of Michigan grant will off-set some operational expenses in Salaries.



**Superiorland Library Cooperative**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**CONTACTING THE COOPERATIVE FINANCIAL MANAGEMENT**

This financial report is designated to provide our customers, investors and creditors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooperative Administrator at Superiorland Library Cooperative, 1615 Presque Isle Avenue, Marquette, Michigan 49855

SUPERIORLAND LIBRARY COOPERATIVE  
Statement of Net Assets and  
Governmental Funds Balance Sheet  
September 30, 2006

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 297,818	\$ -	\$ 297,818
Accounts receivable	16,165	-	16,165
Other assets	751	-	751
Land	-	41,500	41,500
Capital assets	-	184,228	184,228
Accumulated depreciation	-	(113,362)	(113,362)
<b>TOTAL ASSETS</b>	<b>\$ 314,734</b>	<b>112,366</b>	<b>427,100</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,037	-	1,037
Due to members	9,144	-	9,144
Deferred revenue	10,370	-	10,370
Long-term liabilities:			
Accrued personal time off	-	27,972	27,972
<b>TOTAL LIABILITIES</b>	<b>20,551</b>	<b>27,972</b>	<b>48,523</b>
<b>FUND BALANCE/NET ASSETS</b>			
<b>Fund Balance:</b>			
Reserved - Lilja Memorial Library Fund	16,697	(16,697)	-
Designated - Personal time off	27,972	(27,972)	-
Unreserved and undesignated	249,514	(249,514)	-
<b>TOTAL FUND BALANCE</b>	<b>294,183</b>	<b>(294,183)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 314,734</b>		
<b>Net Assets:</b>			
Invested in capital assets, net of related debt		112,366	112,366
Restricted		16,697	16,697
Unrestricted		249,514	249,514
<b>TOTAL NET ASSETS</b>		<b>\$ 378,577</b>	<b>\$ 378,577</b>

The accompanying notes to financial statements are an integral part of this statement.

**SUPERIORLAND LIBRARY COOPERATIVE**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2006**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>294,183</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

	Cost of capital assets	225,728
	Accumulated depreciation	<u>(113,362)</u>
		112,366

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds. Long-term liabilities at year-end consist of  
accrued personal time off.

(27,972)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

	<u><u>\$</u></u>	<u><u>378,577</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE  
Statement of Activities and  
Governmental Fund Revenues, Expenditures,  
and Changes in Fund Balance  
For the year ended September 30, 2006

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Library services	\$ 502,264	\$ 19,157	\$ 521,421
Capital outlay	8,973	(2,731)	6,242
	<u>511,237</u>	<u>16,426</u>	<u>527,663</u>
Total Expenditures/Expenses			
Program Revenues:			
Charges for services	145,203	-	145,203
Operating grants and contributions	101,795	-	101,795
	<u>246,998</u>	<u>-</u>	<u>246,998</u>
Total Program Revenues			
Net Program Expense			<u>280,665</u>
General Revenues:			
State grants - unrestricted	266,434	-	266,434
Interest income	8,988	-	8,988
Miscellaneous	1,869	-	1,869
	<u>277,291</u>	<u>-</u>	<u>277,291</u>
Total General Revenues			
Excess of Revenues over Expenditures	13,052	(13,052)	-
Change in Net Assets		3,374	(3,374)
Fund Balance/Net Assets:			
Beginning of the year	<u>281,131</u>	<u>43,169</u>	<u>381,951</u>
End of the year	<u>\$ 294,183</u>	<u>\$ 33,491</u>	<u>\$ 378,577</u>

The accompanying notes to financial statements are an integral part of this statement.

**SUPERIORLAND LIBRARY COOPERATIVE**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the year ended September 30, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>13,052</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	17,163	
Capital outlays	<u>(2,731)</u>	(14,432)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(1,994)

**Change in Net Assets of Governmental Activities**

\$ (3,374)

The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The operations of the Superiorland Library Cooperative (the Cooperative) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperative conform to generally accepted accounting principles as applicable to governments and the following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

During the year the Cooperative adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

*Government-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the Cooperative as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net assets and displayed in three components – invested in capital assets, restricted, and unrestricted.

*Fund Financial Statements:*

The accounts of the Cooperative are organized on the basis of funds. The operations of the Cooperative's only fund, the General Fund, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The General Fund is a governmental fund and it is used to account for all financial resources of the Cooperative.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. The General Fund governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.
- b. The government-wide statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Government –wide fund equity is classified as net assets.

### *Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

## OTHER SIGNIFICANT ACCOUNTING POLICIES

### Cash and Equivalents

The Cooperative’s cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of two years or less.

### Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Cooperative defines capital assets as assets with an initial, individual cost of more than \$1,000.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Furniture and fixtures	3 – 20 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

### Compensated Absences

The Cooperative's policies regarding compensated absences permits employees to accumulate earned but unused personal time off. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### Revenues

In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Cooperative's policy to use the restricted resources first.

### Expenses/Expenditures

In the government-wide Statement of Activities, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations and capital outlay.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE B – REVENUES:**

The Superiorland Library Cooperative receives its revenues from Federal and State governments in the form of grants-in-aid. The Cooperative also received State support for local member libraries based on population and square miles of areas covered.



## NOTE C – DEFINED BENEFIT PENSION PLAN:

### Plan Description

The Superiorland Library Cooperative's defined benefit pension plan, the Michigan Municipal Employees Retirement System ("System"), provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system, an agent multiple-employer public employee retirement system acts as a common investment and administrative agent for all Michigan municipal employees.

### Funding Policy

System members are required to contribute 4.7% of their annual compensation. The Superiorland Library Cooperative is required to contribute at an actuarially determined rate; the current rate is 0.00% of annual covered payroll as a result of assets exceeding accrued liabilities. The contribution requirements of plan members are set by the Superiorland Library Cooperative. The Superiorland Library Cooperative's contribution requirements are established and may be amended by the Michigan Municipal Employee Retirement System's Retirement Board.

### Annual Pension Cost

For 2006, 2005 and 2004, the Superiorland Library Cooperative's annual pension cost of \$5,634; \$3,808; and \$3,219 respectively, for the system was equal to the Superiorland Library Cooperative's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return (net of expenses) and (b) projected salary increases of 4.5% to 8.4% per year. The negative unfunded accrued liability is amortized (spread) over 10 years, and used to reduce the employer contribution rate.

### **Three-Year Trend Information for the System**

The three-year trend information was not provided by the actuary.

### **REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress for the System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/98	\$314,245	\$210,200	\$(104,044)	149 %	%111,122	0%
12/31/99	367,328	237,745	(129,583)	154 %	116,263	0%
12/31/00	409,733	277,517	(132,216)	148 %	119,688	0%
12/31/01	449,812	428,473	(21,339)	105 %	99,240	0%
12/31/02	474,644	456,365	(18,279)	104 %	100,773	0%
12/31/03	522,293	482,591	(39,702)	108 %	101,472	0%
12/31/04	568,503	497,420	(71,083)	114 %	104,794	0%
12/31/05	613,752	535,691	(78,061)	115 %	108,813	0%

#### NOTE D – ACCRUED PERSONAL TIME OFF:

The entity records on the government-wide Statement of Net Assets the accrued liability arising from accumulated vested personal time off which is payable to entity employees when they separate from employment. The employees are compensated for personal time off on a scale based on years of service with the Cooperation. The entity's personal time off policy provides for up to one-half of an employee's accumulated personal time off hours to be paid to the employee if they have worked with the entity for at least 8 years. For employees with less than 8 years of service, personal time off payable upon separation ranges from 10%-40% depending on the number of years employed with the Cooperative. The non-current portion of accumulated personal time off payable as of September 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Personal time off	<u>\$27,972</u>	<u>\$25,978</u>

#### NOTE E – DEPOSITS AND INVESTMENTS:

The Cooperative's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Checking accounts	\$18,929
Savings accounts	55,225
Certificates of deposit	<u>223,664</u>
Total	<u>\$297,818</u>

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned. State law does not require and the Cooperative does not have a policy for deposit custodial credit risk. As of September 30, 2006, the Cooperative's checking and savings accounts and CDs were not exposed to credit risk because they were fully insured.

The Cooperative has no investments at September 30, 2006.

#### NOTE F – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2006 is as follows:

	Balance 9-30-05	Additions	Retirements	Balance 9-30-06
Asset Cost:				
Land	\$ 41,500	\$ -	\$ -	\$41,500
Buildings and improvements	78,000	-	-	78,000
Furniture and fixtures	<u>103,497</u>	<u>2,731</u>	-	<u>106,228</u>
Total Asset Cost	<u>222,997</u>	<u>2,731</u>	-	<u>225,728</u>
Accumulated Depreciation:				
Buildings and improvements	(23,720)	(1,560)	-	(25,280)
Furniture and fixtures	<u>(72,479)</u>	<u>(15,603)</u>	-	<u>(88,082)</u>
Total Accumulated Depreciation	<u>(96,199)</u>	<u>(17,163)</u>	-	<u>(113,362)</u>
Net Capital Assets	<u>\$126,798</u>	<u>\$ (14,432)</u>	<u>\$ -</u>	<u>\$112,366</u>

**NOTE F – CAPITAL ASSETS (Continued):**

Depreciation expense charged to governmental activities was \$17,163.

**NOTE G – LONG-TERM DEBT:**

Long-term debt of the Cooperative is as follows:

	Balance <u>9-30-05</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9-30-06</u>
General Long-Term Debt:				
Personal Time Off Payable	<u>\$25,978</u>	<u>\$ 1,994</u>	<u>\$ -</u>	<u>\$ 27,972</u>

**NOTE H – DEFERRED COMPENSATION PLAN:**

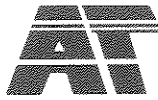
The Superiorland Library Cooperative offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The plan's participants have the right to designate how the funds will be invested. Therefore, the Cooperative has no liability for losses under the plans.

## ***OTHER FINANCIAL INFORMATION***

Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended September 30, 2006

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	Designated LSCA/LSTA	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - Sick Leave	Unreserved - General	Totals
EXPENDITURES (Continued):						
Insurance and bonds	\$ -	\$ -	\$ -	\$ -	3,333	3,333
Maintenance	-	-	-	-	9,251	9,251
Rental	-	-	-	-	24,780	24,780
Rental	-	-	-	-	1,299	1,299
Interest	-	-	333	-	-	333
Capital Outlay:						
Audio equipment	-	-	-	-	1,263	1,263
Equipment and furniture	-	-	-	-	5,049	5,049
Computer software	-	-	-	-	2,661	2,661
Interest	-	-	-	-	-	-
TOTAL EXPENDITURES	-	79,991	333	-	430,913	511,237
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	(24,514)	268	-	37,298	13,052
OTHER FINANCING SOURCES (USES):						
Transfers in	-	24,514	-	1,994	-	26,508
Transfers out	-	-	-	-	(26,508)	(26,508)
TOTAL OTHER FINANCING SOURCES (USES)	-	24,514	-	1,994	(26,508)	-
CHANGE IN FUND BALANCES	-	-	268	1,994	10,790	13,052
Fund balances, beginning of year	-	-	16,429	25,978	238,724	281,131
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 16,697	\$ 27,972	\$ 249,514	\$ 294,183



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Superiorland Library  
Cooperative Board  
Marquette, Michigan

We have audited the financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2006, and have issued our report thereon dated January 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Superiorland Library Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Superiorland Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the Board and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

January 9, 2006